

DAVID LOEBSACK

2ND DISTRICT, IOWA

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ARMED SERVICES

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HEALTH, EMPLOYMENT, LABOR,
AND PENSIONS

EARLY CHILDHOOD, ELEMENTARY
AND SECONDARY EDUCATION

Congress of the United States
House of Representatives
Washington, DC 20515-1502

October 31, 2011

WASHINGTON OFFICE:

1221 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-6576

DISTRICT OFFICES:

125 SOUTH DUBUQUE STREET
IOWA CITY, IA 52240
(319) 351-0789

150 1ST AVENUE NE
SUITE 375

CEDAR RAPIDS, IA 52401
(319) 364-2288
1 (866) 914-IOWA

The Honorable Kathleen Sebelius
Secretary, U.S. Department of Health and
Human Services
200 Independence Avenue, SW
Washington, DC 20201

Donald Berwick, MD
Administrator, Centers for Medicare &
Medicaid Services
200 Independence Avenue, S.W., Rm 445-G
Washington, DC 20201

Dear Secretary Sebelius and Administrator Berwick,

I am writing you about the severe and urgent financial crisis facing one of the hospitals in my district. Keokuk Area Hospital (KAH) resides in the county with the second highest unemployment rate in the state, at 9.6 percent as of September 2011. Keokuk itself is estimated to have an unemployment rate of 16 percent. The poverty rate there is 23 percent.

KAH is what is referred to as a “tweener” hospital. As such, Keokuk has some of the lowest reimbursement rates in the nation. In addition to being located in a state with one of the lowest Medicare reimbursement rates in the country, it is one of only a handful of remaining “tweener” hospitals in Iowa that does not receive some form of additional federal reimbursement.

Currently, Medicare and Medicaid patients and the uninsured make up 75 percent of KAH’s admissions. KAH receives only 76 percent of the cost of treatment for these populations. This has led to more than \$6,000,000 in uncompensated care at the hospital in fiscal year 2010 and resulted in a loss of almost \$1,000,000 for the same year. As a result, KAH frequently has less than 10 days operating cash on hand, with no endowments, community support, or other reserves to rely on should that cash flow be disrupted.

KAH has done its best to adjust to changing circumstances as a result of the recession. The hospital has made significant reductions in staffing, benefits, salaries, and services and has also investigated the possibility of affiliating with a larger hospital system.

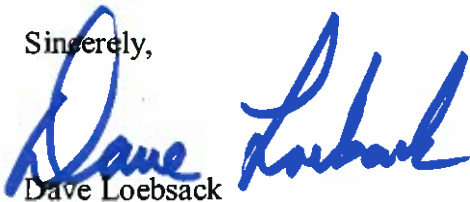
Meanwhile, KAH was one of only two Iowa hospitals to achieve an excellent rating in the Joint Commission for Accreditation of Hospitals Quality Indicators. In addition to being a hospital with outstanding quality outcomes, the hospital is also an important pillar of the community. Were Keokuk to lose KAH, the town would lose one of the largest employers in the area. Further, the regional economic impact of the hospital goes far beyond these jobs alone, and is estimated to be \$25,000,000.

As it stands, KAH is ineligible for or unable to access any of the funding mechanisms that make it possible for hospitals in similar situations across Iowa to survive. These include critical access hospital designation, sole community provider designation, the rural community health demonstration project, 340b prescription drug discount program, medically underserved area designation, medically underserved population designation, health professional shortage designation, and other programs that reduce costs or improve reimbursement rates for similarly situated hospitals in Iowa. This despite the fact that Keokuk often has higher unemployment and higher poverty rates as compared to other similar hospitals that receive these additional reimbursements or reduced costs.

Again, I would like to emphasize that this hospital is literally on the brink of closing because of their exclusion from these programs. It appears that KAH has now exhausted all possible options and a waiver to become a critical access hospital is the only remaining way for the hospital to remain viable. I write to respectfully request that you consider granting such a waiver. Without it, those who live in this community will likely lose access to a hospital that is providing high quality care at a low cost, but cannot remain open under the current payment structure.

My office stands ready to put you in touch with the Keokuk Area Hospital leadership so that you can work with them on this pressing situation. Due to the urgent nature of this situation, I request a response as soon as possible. Thank you in advance for your assistance.

Sincerely,



Dave Loebsock
Iowa's Second District